



October 31, 2014

Nancy Perry, President
Regina's College of Beauty
1201 Stafford Street, Suite B2
Monroe, North Carolina 28110

UPS Tracking Number:
1ZA879640295785922

Program Review Report

OPE ID: 04115700

PRCN: 2014-2-04-28523

Dear President Perry:

From March 3, 2014 through March 7, 2014, Lonnie Scal, Patricia Gilbert, and Meghan Gladden, representatives of the U.S. Department of Education conducted a review of Regina's College of Beauty's (RCB) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by RCB. The response should include a brief, written narrative for each finding that clearly states RCB's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, RCB must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

Federal Student Aid

AN OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Atlanta

61 Forsyth Street SW, Room 18140, Atlanta, Georgia 30303-8930

StudentAid.gov

The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by RCB upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Lonnie Seal of this office within 60 calendar days of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Lonnie Seal at (404)974-9240 or Lonnie.Seal@ed.gov.

Sincerely,

(b)(6)



David Smittick
Compliance Manager

cc: Merrisha McCarter, Financial Aid Administrator

Enclosure:

Program Review Report (and Appendices)
Protection of Personally Identifiable Information

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
Regina's College of Beauty

Federal Student Aid
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 04115700
PRCN: 2014-2-04-28523

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-Atlanta

Program Review Report

October 31, 2014

Table of Contents

	Page
A. Institutional Information	3
B. Scope of Review	4
C. Findings	4
Finding #1: Ineligible Fees for Overtime Charges/Missed Hours	5
Finding #2: Ineligible Bank Fees on Federal Accounts.....	7
Finding #3: Federal Funds not Included in Federal Account Name	9
Finding #4: Return to Title IV not Conducted.....	9
Finding #5: Return To Title IV Policy not Developed/Inadequate.....	10
Finding #6: Net Price Calculator Inaccurate.....	11
Finding #7: Leave Of Absence Deficiencies	13
Finding #8: Attendance Policy Inadequate	14

D. Appendices

Appendix A: Student Sample

Appendix B: Student Ledger

Appendix C: Screen Shots of Net Price Calculator

Appendix D: Institutional Spreadsheets for Overtime Charges

A. Institutional Information

Regina's College of Beauty
1201 Stafford Street, Suite B2
Monroe, North Carolina 28110

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Career Arts & Sciences (NACCAS)

Current Student Enrollment: 326 (2013/2014 Award Year)

% of Students Receiving Title IV: $281/326 = 86\%$ (2013/2014 Award Year)

Title IV Participation: G5

	<u>2012-2013 Award Year</u>
Federal Pell Grant Program	\$ 834,114
William D. Ford Direct Loan Program	\$ 1,253,327

Default Rate FFEL/DL:	2011 - 23.2%
	2010 - 4.8%
	2009 - 25.9%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Regina's College of Beauty (RCB) from March 3, 2014 to March 7, 2014. The review was conducted by Lonnie Seal, Patricia Gilbert and Meghan Gladden.

The focus of the review was to determine RCB's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of RCB's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2013 and 2014 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning RCB's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve RCB of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by RCB to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Ineligible Fees for Overtime Charges /Missed Hours

Citation: The cost of attendance for a student is an estimate of that student's educational expenses for the period of enrollment. If a student is enrolled in a program that has extra fees or costs, such as lab fees, an institution can add those fees to the student's cost or use a standard cost that has been established for all students in that program. If the institution establishes standard cost categories, it must apply the cost allowances uniformly to all students in those categories. *FSA Handbook, Volume 3, Chapter 2*

Overtime charges are in addition to normal tuition and fee charges and are based upon the additional hours that a particular student is assessed to make-up for that student's missed or failed classroom time. **Therefore, since the overtime charges are not charges normally assessed for all students, they may not be included in the students cost of attendance and Title IV funds cannot be used to pay for those charges under any circumstances.** *Title IV, HEA, Section 472*

Noncompliance: On November 27, 2013, RCB charged \$2,122 in extra instructional charges (student overages) to student #20's student account in which Title IV funds were used to cover the extra instructional charges. Additionally, as a result of the extra instructional charges, the said student did not receive their \$2,122 Title IV credit balance as the \$2,122 fee netted the charges and payments to a zero balance. See Appendix B

RCB is reminded that Title IV funds cannot be used to pay for any overtime/missed hour charges. The institution must separate and track overtime/missed hours charges for each student to make sure that all overtime/missed hours charges are paid from other sources.

Required Action: Because Title IV funds were used to cover extra instructional charges and, as a result, possibly prevented respective students from receiving all or a portion of a Title IV credit balance, RCB was required to conduct a 100% file review¹ of students who were in attendance for the 2012/2013 and 2013/2014 award years to ensure that there were no more instances of Title IV funds being used to cover extra instructional charges.

The file review revealed that \$88,735.26 of extra instructional charges were paid for by Title IV funds. As a result, the institution must contact the respective students and return the respective amounts charged for overtime instructional hours back to the said students. Additionally, the institution must provide the Department with the students' attendance records and student ledgers, and for proof of payment cancelled checks and bank statements.

¹ As stated at the exit conference, Regina's College of Beauty was informed that they would have to conduct a 100% file review to ensure that Title IV funds were not used to pay for extra instructional charges. The institution was proactive and e-mailed the file review before the Program Review Report was completed.

Extra Instructional Charges Per Location

	Monroe	Charlotte	High Point	Augusta
2012-2013 Award Year	\$ 13,298.61	\$27,853.08	\$ 8,751.28	\$ 3,446.45
2013-2014 Award Year	\$ 10,435.73	\$7,728.19	\$ 7,453.93	\$ 9,767.99
Totals Per Location	\$ 23,734.34	\$35,581.27	\$ 16,205.21	\$ 13,214.44
Grand Total	\$ 88,735.26			

Reminder: Escheating of FSA Funds Is Prohibited

A school must return to the Department any FSA program funds, except FWS Program funds, that it attempts to disburse directly to a student or parent if the student or parent does not receive the funds or cash the check. (For FWS Program funds, a school is required to return only the federal portion of the payroll disbursement.)

A school must have a process that ensures FSA funds never escheat to a state or revert to the school or any other third party. A failure to have such a process in place would call into question a school's administrative capability, its fiscal responsibility, and its system of internal controls required under the FSA regulations.

The institution must provide a cumulative total of all funds that cannot be disbursed to students by program and award year.

Example of a policy to prevent escheating

Typically, each state establishes the useful life of a check or bank draft used to disburse FSA program funds. After this established date, the check cannot be negotiated and the proceeds of an uncashed check normally escheat to an unintended third party (the state or the institution). In state A, a bank check has a useful life of 180 days. In order to prevent FSA funds from escheating to a third party, the Business office at School A, at the end of each month, identifies all outstanding uncashed checks containing FSA funds. Prior to the 180th day, the Business office voids the uncashed checks and restores the funds back to the applicable FSA program².

Time Frame for Returning Unclaimed Funds

34 C.F.R. § 668.164(h) states notwithstanding³ any State law (such as a law that allows funds to escheat to the State), an institution must return to the Secretary, lender, or guaranty agency, any

² See Volume 4—Federal Student Aid Handbook 2013-2014, Processing Aid and Managing FSA Funds, Page 4-19

³ Notwithstanding (legal definition) – irrespective of

Title IV, HEA program funds, except FWS program funds, that it attempts to disburse directly to a student or parent but the student or parent does not receive or negotiate those funds. For FWS program funds, the institution is required to return only the Federal portion of the payroll disbursement.

(2) If an institution attempts to disburse the funds by check and the check is not cashed, the institution must return the funds no later than 240 days after the date it issued that check.

(3)(i) If a check is returned to the institution, or an EFT is rejected, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the funds were returned or rejected. In cases where the institution does not make another attempt, the funds must be returned before the end of this 45 day period; and

(ii) No later than the 240 day period described in paragraph (h)(2) of this section, the institution must cease any additional disbursement attempts and immediately return those funds.

RCB must provide a cumulative total of all funds that cannot be disbursed to students by program and award year, no later than 240 days after the respective checks have been issued (See previous note: Page 6).

Finding 2: Ineligible Bank Fees on Federal Account

Citation: An institution must maintain accounting and internal control systems that identify the cash balance of the funds of each Title IV, HEA program that are included in the institution's bank or investment account as readily as if those program funds were maintained in a separate account. The earnings on Title IV HEA program funds maintained in the institution's bank or investments account must also be identified. See 34 C.F.R. § 668.163(d)(i)&(ii)

Funds received by an institution under the Title IV programs are held in trust for the intended student beneficiary and the Department. An institution, as a trustee of Federal funds, may not use or hypothecate Title IV funds for any other purpose. 34 C.F.R. § 668.161(b). Under no circumstances may Federal funds be used for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of Title IV funds or subjects Title IV funds to liens or other attachments. Clearly carrying out these fiduciary duties limits the ways an institution can otherwise manage cash in an operating account, when that account contains FSA funds.

Noncompliance: In reviewing RCB's bank records, there was a raft of questionable charges noted on their sole Federal Pell Grant account and location specific Federal Direct Loan accounts. The table below shows the total service charges and overdraft fees from January 2012 through January 2014 per the bank statements received from the institution.

	Monroe Account # 7698	Charlotte Account # 8241	High Point Account # 8258	Augusta Account # 4243
FY 2012 Fees/Charges	\$392.75	\$743.00	\$404.00	\$414.75
FY 2013 Fees/Charges	\$309.75	\$692.75	\$333.50	\$212.00
Jan 2014 Fees/Charges	\$40.00	\$0.00	\$0.00	\$3.00
Total Fees/Charges	\$742.50	\$1,435.75	\$737.50	\$629.75
Grand Total Fees/Charges for all locations FDL Accounts				\$3,545.50

Federal Pell Grant Account: All Locations Account # 9410	
FY 2012 Fees/Charges	\$1,107.00
FY 2013 Fees/Charges	\$1,837.50
Jan 2014 Fees/Charges	\$26.25
Total Fees/Charges	\$2,970.75

Total Fees/Charges for all locations FDL and FPell Accounts	\$6,516.25
--	-------------------

Required Action: RCB must review all of its Title IV bank account records (statements) to ensure that all of the service charges and overdraft fees that the Department calculated from its location specific Federal Direct Loan Accounts and Federal Pell Grant Account are accurate according to the bank statements that were submitted to the Department during the program review. This information needs to be submitted in an Excel Spreadsheet per calendar year beginning in January 2012 through January 2014. The spreadsheet must include:

1. Calendar Year and Months
2. Federal Program Account (Federal Direct Loans and Federal Pell Grant)
3. Location (Federal Direct Loan Only)
4. Monthly Service Fees/Overdraft Charges (if applicable)
5. Yearly Totals
6. Grand Total For All Years

If Federal Funds were used to pay for the said ineligible bank fees, RCB will be responsible for repayment of those fees.

Payment instructions for any determined liability will be provided in the Final Program Review Determination letter.

Finding 3: Bank Accounts - Federal Funds Not Identified

Citation: A participating institution must notify any bank in which it deposits federal funds of all accounts in that bank in which those funds are deposited. Proper notice of campus-based federal funds on deposit must be given either by using "Federal" in the account Title or notifying the bank in writing that the account contains federal funds. Proper notice that Federal Pell Grant funds are on deposit in an account is given by including the word "Federal" in the name of the account. 34 CFR 675.19(a), 676.19(a) and 690.8J(b)

Noncompliance: The bank accounts for several of the locations in which the institution deposits Title IV Federal Student Aid funds are not properly identified as accounts containing Federal funds.

Required Action: The institution's response to this report must include evidence of its compliance with this requirement.

Finding 4: Return of Title IV Funds (R2T4) Not Conducted

Citation: Per 34 C.F.R. § 668.22(a)(1), when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

Noncompliance: In two instances, R2T4 documentation was not in the students' files. Both students had completed more than 60 percent of their scheduled hours at the time of their withdrawal, so there is no liability associated with this particular finding. However, the institution is reminded that returns must still be calculated and included in the student file, even if the scheduled hours exceed 60 percent.

- **Student #9:** R2T4 documentation was not in the student file.
- **Student #21:** R2T4 documentation was not in the student file.

Required Action: Regina's College of Beauty is required to correct its procedures to perform R2T4 calculations for withdrawals, even in instances when scheduled hours exceed 60 percent.

The response to the program review report must provide a written assurance that this finding will not be repeated in future audits or program reviews.

Finding 5: Return To Title IV Policy Not Developed/Inadequate

Citation: Per 34 C.F.R. § 668.22 states that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

(B) In the case of a program that is measured in clock hours, the student does not complete all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete; or

(b) *Withdrawal date for a student who withdraws from an institution that is required to take attendance.* (1) For purposes of this section, for a student who ceases attendance at an institution that is required to take attendance, including a student who does not return from an approved leave of absence, as defined in paragraph (d) of this section, or a student who takes a leave of absence that does not meet the requirements of paragraph (d) of this section, **the student's withdrawal date is the last date of academic attendance as determined by the institution from its attendance records.**

(3)(i) An institution is required to take attendance if—

(A) An outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institution take attendance;

(j) *Timeframe for the return of Title IV funds.* (1) An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (l)(3) of this section. The timeframe for returning funds is further described in §668.173(b).

More specifically, the R2T4 policy must include the following:

- The conditions under which Title IV program funds would be required to be returned;
- The conditions under which a student would be owed a disbursement of Title IV program funds upon withdrawal from the institution;
- A system to determine the withdrawal date for a student who withdraws officially or unofficially;
- Guidelines pertaining to the order in which Title IV program funds must be returned;
- Procedures for the calculation of the amount of the Title IV program funds that a

student has earned upon withdrawal (including the differences in the calculation for clock-hour, credit-hour, non-term, and term programs as applicable).

34 C.F.R. § 668.21(b) *Treatment of Title IV grant and loan funds if the recipient does not begin attendance at the institution* states that an institution must return those funds for which it is responsible under paragraph (a) of this section to the respective Title IV, HEA program as soon as possible, but no later than 30 days after the date that the institution becomes aware that the student will not or has not begun attendance.

Noncompliance: ~~RCB's current R2T4 Policy does not accurately satisfy all of the required~~ R2T4 components. More specifically, RCB's current policy does not:

- accurately explain that the last date of attendance is the withdrawal date used for the Return of Title IV algorithm for required attendance taking institutions;
- thoroughly explain the condition under which refunds must be made within 30 days⁴ of the date the institution determined the student withdrew. Sec 34 C.F.R. § 668.21

Required Action: RCB must revise its R2T4 policy. The policy must adequately address each of the requirements outlined in the noncompliance section of this finding. In its response to this Program Review Report, RCB must submit a revised written R2T4 policy to the Department.

Finding 6. Net Price Calculator Inaccurate

Citation: Higher Education Opportunity Act of 2008 (HEOA)

In accordance with the Higher Education Opportunity Act of 2008 (HEOA), by October 29, 2011, each postsecondary institution that participates in Title IV federal student aid programs must post a net price calculator on its website that uses institutional data to provide estimated net price information to current and prospective students and their families based on a student's individual circumstances. This calculator should allow students to calculate an estimated net price of attendance at an institution (defined as cost (price) of attendance minus grant and scholarship aid) **based on what similar students paid in a previous year**. The net price calculator is required for all Title IV institutions that enroll full-time, first-time degree- or certificate-seeking undergraduate students.

Noncompliance: The Net Price calculator at RCB does not allow students to accurately calculate an estimated net price of attendance at their institution (defined as cost [price] of attendance minus grant and scholarship aid) based on what similar students paid in a previous year.

⁴ RCB's Return of Title IV policy located on page 17, sentence number 4, of the institution's catalog published January 3, 2014

For example, the result for the estimated total grant aid was \$2,500 when the reviewer recently tested RCB's (North Carolina) Net Price Calculator⁵ computer wizard based on selected **hypothetical criteria** listed below:

Program: General Cosmetology/Cosmetologist Program

1. Financial Aid: Yes
2. Age: 18
2. Living Arrangement: Living with my parents or other family members
3. Marital Status: Yes
5. Number in family: 3
6. Number in college: 1 child
7. Household Income: Above \$99,999

Academic Year 2009-2010 (data)	
Estimated total price of attendance	\$17,420
a. Estimated tuition and fees	\$15,995
b. Estimated room and board	\$0
c. Estimated books and supplies	\$1,325
d. Estimated other expenses	\$100
Sub-Total	\$17,420
Estimated total grant aid:	\$2,500
Estimated total net price:	\$14,920
(Price of attendance minus grant aid)	

Specific Net Price Calculator Errors:

1. In general a student whose household income is above \$99,999 would not be eligible to receive a Federal Pell Grant.
2. Additionally, according to RCB's website, the current 13/14 tuition cost for the Cosmetology program is \$17,495: a difference of (\$17,495-\$15,995) of \$1,500 which is not presently used in RCB's Net Price Calculator.

⁵ See Screen shots printed from RCB's Net Price Calculator in Appendix C.

As a result of these 2 errors, the actual estimated cost would be approximately \$18,920 (\$18,920 - \$14,920 = \$4,000), which is a \$4,000 difference provided that all other costs have remained the same.

Academic Year 2009-2010 (data)	
Estimated total price of attendance	\$18,920
a. Estimated tuition and fees	\$17,495
b. Estimated room and board	\$0
c. Estimated books and supplies	\$1,325
d. Estimated other expenses	\$100
Sub-Total	\$18,920
Estimated total grant aid:	\$0
Estimated total net price:	\$18,920
(Price of attendance minus grant aid)	

Required Action: RCB must upload the latest version of the Net Price Calculator (NPC) template to ensure that it yields accurate estimates in accordance with the Higher Education Opportunity Act of 2008 (HEOA). For detailed instructions on how to complete this requirement go to: http://nces.ed.gov/ipeds/resource/net_price_calculator.asp.

In response to this finding, the institution must provide the link to where the updated Net Price Calculator is located on RCB's website and a written statement addressing when this requirement was completed

Finding 7: Leave Of Absence Deficiencies

Citation: 34 C.F.R. § 668.22(d) states that a leave of absence is an approved leave of absence if: (i) The institution has a formal policy regarding leaves of absence; (ii) The student followed the institution's policy in requesting the leave of absence; (iii) The institution determines that there is a reasonable expectation that the student will return to the school; (iv) The institution approved the student's request in accordance with the institution's policy; (v) The leave of absence does not involve additional charges by the institution; (vi) The number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period; (vii) Except for a clock hour or non-term credit hour program, upon the student's return from the leave of absence, the student is permitted to complete the coursework he or she began prior to the leave of absence; and (viii) If the student is a Title IV, HEA program loan recipient, the institution explains to the student, prior to granting

the leave of absence, the effects that the student's failure to return from a leave of absence may have on the student's loan repayment terms, including the exhaustion of some or all of the student's grace period.

Additionally, the policies devised by the National Accrediting Commission of Career Arts & Sciences (NACCAS) state that the institution's Satisfactory Academic Progress (SAP) policy should detail reasonable provisions regarding temporary interruptions or Leaves of Absence.

Noncompliance: The institution did not appear to be following a clearly defined leave of absence policy. In many instances, students were on *de facto* leaves of absence (i.e., they faced no consequences for missing more days than was permissible), but there was no information in the file to justify the extended period of absence.

- **Student #3:** The student was absent from 2/6/13 until 3/25/13. Because the student was not withdrawn, she was on a *de facto* leave of absence that was not properly vetted or documented.
- **Student #21:** On several occasions, the student missed two or more weeks of her program. Certified letters were sent to the student notifying her of her impending withdrawal in certain instances; but in other instances, it does not appear that the school followed up with the student. (Please see Finding 8 regarding the institutional attendance policy for more information.)

Required Action: Regina's College of Beauty must strengthen its attendance policy and apply it consistently to the entire student population. If the institution wishes to create a leave of absence policy to accommodate students with extenuating circumstances, it may do so. The leave of absence policy must be in accordance with 34 C.F.R. § 668.22(d) outlined above. Additionally, the institution is reminded that proper documentation that demonstrates compliance with 34 C.F.R. § 668.16(f) is also necessary.

In response to this finding, RCB must address whether the institution has decided to create a leave of absence policy or to forego this option. Moreover, if the institution chooses to develop a leave of absence policy, a copy of it must be provided to the Department.

Finding 8: Attendance Policy Inadequate

Citation: In accordance with 34 C.F.R. § 668.22(b)(3)(i), an institution is required to take attendance if (A) An outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institution take attendance; (B) The institution itself has a requirement that its instructors take attendance; or (C) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program.

Additionally, the policies devised by the National Accrediting Commission of Career Arts & Sciences (NACCAS) state that the institution's satisfactory academic progress policy should apply to every student enrolled in a NACCAS-approved program.

Noncompliance: Regina's College of Beauty has caveats in its attendance policy that can result in differing consequences for its students. The institutional policy states:

In addition to the Satisfactory Academic Policy (SAP) requirements, students are expected to be regular in attendance. Absences from the classes will seriously affect the student's progress. An absence may be excused, with proper documentation, but the student is still required to complete the missed work assignments. Excessive tardiness and/or absenteeism will be reviewed by the Director and *may* [emphasis added by the Department] result in suspension or dismissal. Full time students are required to be enrolled and attend a minimum of 28 hours per week. Absence of THREE DAYS or more without notification shall be considered cause for suspension. Students will receive a certified letter before the 14th day of their absent [sic]. It is the obligation of the student to notify the institution with any pertinent information regarding his/her absence. Any student absent 30 days will be dropped from the course.

Because of its current phrasing, the consequences are ambiguous and optional. Additionally, the policy can be applied differently toward students. For example, Student #3 was allowed to leave and return on several different occasions, but other students were dropped (e.g., Student #1).

Required Action: Because Regina's College of Beauty is an institution that is required to take attendance, it must revise its policy so that clear guidelines and consequences exist for financial aid recipients. Additionally, caveats should not permit the policy to be applied differently toward students.

After updating its policy, the institution must ensure the updated policy is applied consistently and uniformly in the future. The response to the program review report must include a copy of this updated policy.

If the institution wishes to expound upon the following statement in its attendance policy ("It is the obligation of the student to notify the institution with any pertinent information regarding his/her absence") and create a leave of absence of policy that complements its attendance policy, it may do so.

Appendices



February 27, 2015

Nancy Perry, President
Regina's College of Beauty
1201 Stafford Street, Suite B2
Monroe, North Carolina 28110

UPS Tracking Number:
1ZA879640293417814

RE: **Final Program Review Determination**
OPE ID: 04115700
PRCN: 2014-2-04-28523

Dear President Perry:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on October 31, 2014 covering Regina's College of Beauty's (RCB) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2012-2013 and the 2013-2014 award years. RCB's final response was received on December 16, 2014. A copy of the program review report (and related attachments) and RCB's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by RCB upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities (3) notify the institution of its right to appeal, and (4) close the review upon receipt of required documents.

The total liabilities due from the institution from this program review are \$ 95,264.29.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references

students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices B, C, and D also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the October 31, 2014 program review report. If RCB wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date RCB receives this FPRD. An original and four copies of the information RCB submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

RCB's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HFA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to RCB's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the

Page 3 of 3

end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

If the institution has any questions regarding this letter, please contact Lonnie Seal at (404)974-9240. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

A rectangular box with a black border, used to redact the signature of Christopher Miller. The text "(b)(6)" is written in the top-left corner of the box.

Christopher Miller
Division Director

Enclosure:

Protection of Personally Identifiable Information

Program Review Report (and appendices)

Final Program Review Determination Report (and appendices)

cc: Merrisha McCarter, Financial Aid Administrator
NC Board of Cosmetic Art Examiners
National Accrediting Commission of Cosmetology Arts and Sciences
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

Regina's College of Beauty

Federal Student Aid
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND™

OPE ID: 04115700

PRCN: 2014-2-04-28523

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Atlanta

Final Program Review Determination February 27, 2015

Table of Contents

	Page
A. Institutional Information.....	3
B. Scope of Review	4
C. Findings.....	4
Finding #1: Ineligible Fees for Overtime Charges/Missed Hours	5
Finding #2: Ineligible Bank Fees on Federal Accounts	8

D. Summary of Liabilities

E. Appendices:

Appendix A: Student Sample

Appendix B: Institutional Spreadsheets for Overtime Charges

Appendix C: RCB's Response to the Program Review Report

Appendix D: Program Review Report

Appendix E: RCB's E-mailed Revised Return to Title IV Policy Response to Finding #5

A. Institutional Information

Regina's College of Beauty
1201 Stafford Street, Suite B2
Monroe, North Carolina 28110

Type: Proprietary

Highest Level of Offering: Certificate

Accrediting Agency: National Accrediting Commission of Career Arts & Sciences

Current Student Enrollment: 326 (2013/2014 Award Year)

% of Students Receiving Title IV: 281/326 = 86% (2013/2014 Award Year)

Title IV, HEA Program Participation G5:

	<u>2012-2013 Award Year</u>
Federal Pell Grant Program	\$ 834,114
William D. Ford Direct Loan Program	\$ 1,253,327

Default Rate FFEL/DL:

2011	- 23.2%
2010	- 4.8%
2009	- 25.9%